

LYNCHBURG CITY COUNCIL

Agenda Item Summary

MEETING DATE: **November 25, 2003, Work Session**

AGENDA ITEM NO.: 3

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

ITEM TITLE: **Solid Waste Management – Flat Monthly Fee**

RECOMMENDATION:

City staff recommends no change in the previously approved fee and implementation schedule.

SUMMARY:

On April 9, 2002, representatives from Reed, Stowe and Yanke presented the Solid Waste Rate Analysis to City Council. The Solid Waste Management Fund is currently in a declining financial position; the debt coverage and Fund balance ratios continue to drop and are projected to fall below key financial targets during the next few years without rate adjustments. The rate study suggested establishing a monthly residential rate that would fully recover revenues necessary to cover all residential costs.

During the past year, City Council has reviewed and discussed many options regarding Solid Waste residential services. Council previously approved the solid waste monthly fee as the best method to cover the revenue shortfall after reviewing and discussing various options. The main purposes of the solid waste flat fee are to cover the revenue shortfall and pay for the desired common good solid waste services.

City Council has recently asked staff to bring back for its consideration additional information regarding the solid waste flat fee.

Attached is a brief report about the City's residential services and the solid waste flat fee.

PRIOR ACTION(S): The list of City Council's recent actions on this subject is provided in Attachment 1.

FISCAL IMPACT: The Solid Waste Management Fund will become more stable with the implementation of the Solid Waste flat fee in January 2004. The overall impact of the implementation of the residential flat fee will be an increase in revenues of approximately \$1,067,000 per year, which should adequately cover financial shortfalls in the residential service area.

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ATTACHMENT(S): Flat Fee Report
Attachment 1 – Prior City Council Actions

REVIEWED BY: lkp

Solid Waste Flat Fee Report

History / Background:

Revenues received for residential solid waste services do not cover all of the expense for those services including residential and small business refuse collection and disposal, litter and debris collection, brush collection, bulk and white goods collection, recycling materials collection and household hazardous waste collection and disposal.

Shown below is the cost of each service and the associated revenue and funding sources.

Residential Cost Analysis (FY 04)				
Service Categories	Cost of Service	Funding	Funding Source	
Refuse Collection	\$1,047,441	\$732,529 \$314,912	General Fund SW Fund Balance	70% 30%
B & C Adm. Cost & Overtime for Utilities	\$65,910	\$65,910	SW Fund Balance	100%
Litter & Debris	\$174,547	\$174,547	SW Fund Balance	100%
Brush	\$274,291	\$191,039 \$83,252	VDOT Highway Maint. SW Fund Balance	70% 30%
Bulk/White Goods	\$157,332	\$157,332	SW Fund Balance	100%
Household Hazardous Waste	\$33,326	\$33,326	SW Fund Balance	100%
Recycling & Disposal of Residential Waste	\$327,285 \$596,187	\$815,000 \$145,472	Tag/Decal sales SW Fund Balance	84% 16%
Total	\$2,676,319	\$732,529	GF Transfers	28%
		\$815,000	Tag/Decal sales	31%
		\$191,039	VDOT Highway Maint.	7%
		\$937,751	SW Fund Balance	34%

City Council previously voted to implement a solid waste flat fee of \$5.00 per household per month primarily to pay for the residential services currently funded by the Solid Waste Management Fund Balance. The solid waste flat fee is scheduled to be implemented in January 2004. Listed below are the revenues needed and the cost per household to fund the various residential solid waste services. It was also previously decided that all City households would be required to pay their fair share of these services. The figures in the following table are based on FY 04 data. It is anticipated that FY 05 costs and revenue requirements will increase by approximately 3%.

Option #	Revenues	Number of Households	Annual Fee Required	Monthly Fee
1	\$ 1,110,000	18,500	\$60.00	\$5.00
2	\$ 937,751 (covers shortfall)	18,500	\$50.69	\$4.22
3	\$ 622,839 (covers common good expenses)	18,500	\$ 33.67	\$2.81

Shown below is the financial impact of each option on the financial performance measures (fund balance and debt coverage) and then the advantages and disadvantages of each option.

Fund Balance Ratio						
Option Number	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
#1 - \$5.00 Flat Fee	51%	68%	78%	86%	81%	80%
#2 - \$4.22 Flat Fee	50%	66%	75%	83%	79%	77%
#3 - \$2.81 Flat Fee	47%	61%	69%	74%	67%	63%
Target (40%)						
Minimum (25%)						

Debt Coverage Ratio						
Option Number	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
#1 - \$5.00 Flat Fee	1.18	1.39	1.51	1.47	1.06	0.99
#2 - \$4.22 Flat Fee	1.14	1.35	1.46	1.42	1.01	0.94
#3 - \$2.81 Flat Fee	1.04	1.28	1.38	1.34	0.94	0.86
Target (1.20)						

(1) Implement solid waste flat fee of \$5.00 per month

Advantages:

- Produces revenues to fully fund the deficit in residential solid waste services and should eliminate need to increase flat fee for several years
- Provides revenues to stabilize Solid Waste Management Fund thereby meeting key financial measures (debt coverage and fund balance) in the long term
- Reduces the need to rely on transfers from the General Fund
- Could utilize surplus revenues to pay down landfill debt

Disadvantages:

- Requires residents to pay more than the cost of services in the short term

(2) Implement solid waste flat fee of \$4.22 per month

Advantages:

- Produces sufficient revenues to fully fund the deficit in residential solid waste services
- Provides revenues to stabilize Solid Waste Management Fund thereby meeting key financial measures (debt coverage and fund balance) in the long term

Disadvantages:

- Requires residents to pay the flat monthly fee to cover residential solid waste services (previously not required)
- The fee will probably have to be increased on an annual basis to cover the cost of services

(3) Implement solid waste flat fee of \$2.81 per month

Advantages:

- Produces sufficient revenues to fully fund only the common good solid waste services
- Provides revenues to help stabilize Solid Waste Management Fund

Disadvantages:

- Requires residents to pay the common goods fee to cover residential solid waste services (previously not required)
- Does not generate adequate revenues to cover refuse collection cost

RECOMMENDATIONS: No change in previously approved fee and implementation schedule.

Attachment
Solid Waste Management Changes

PRIOR ACTION(S):

May 28, 2002 – City Council approved user rates for tires, commercial, industrial and sludge and landfill tipping fee rates.

June 25, 2002 – City Council reviewed solid waste services and payment methods and directed staff to hold citizen meetings and discuss these issues and bring back their feedback and input.

October 29, 2002 – City Council reviewed citizen feedback and input regarding solid waste services and payment methods. Council also discussed the current services and possible changes, as well as funding options.

November 5, 2002 – City Council reviewed Solid Waste Management issues including restricting residential refuse collection to single and multi-family complexes up to four units. City Council approved the change in collection beginning with the implementation of the semi-automated collection system. Council asked staff to bring back information regarding eliminating the free monthly trip to the landfill, offering different size carts and how to pay for the new system for the December 10 meeting.

December 10, 2002 – City Council approved the following actions:

- The implementation of semi-automated refuse collection.
- Free decals will be distributed to the disadvantaged, elderly on tax relief and the residents of the Tyreeanna/Pleasant Valley neighborhoods.
- City residents will be allowed one free trip per month to the landfill up to 250 lbs. (excludes brush and bulk trips)
- City residents will be allowed to bring to the landfill all bulk and brush without charge; (this would not count as the free monthly trip).
- The initial cost of the uniform trashcans and upgrade/purchase of semi-automated trash trucks will be paid for out of the Undesignated Solid Waste Fund Balance.
- Operation Plant-A-Tree funds collected as a result of the recycling drop-off program will continue to go to Solid Waste (Special Revenue Fund).

January 28, 2003 – City Council reviewed and reached consensus on the following issues:

- The size of the trash carts (32 and 64 gallon) that the City will provide to its residents. The residents will be allowed to select the appropriate size cart for their household.
- The current trash tag / decal system will remain in place and the current \$0.95 tag or \$40 annual decal will be required for use on the 32 gallon cart; either two \$0.95 tags or one \$1.90 tag will be required on the 64 gallon cart or two \$40 annual decals or an \$80 decal will be required. Residents placing bags out for collection will be required to attach a \$0.95 trash tag to the bag.
- A new \$5.00 solid waste fee will be charged to all single-family households and to multi-family complexes up to four units in size utilizing City trash collection services. The Billings and Collections Division will add this fee to the current utility bill for payment. It will be necessary to create a solid waste billing system for those single family households currently not using City water or sewer.
- Increased administrative and personnel costs in the Billings and Collections Division as well as the Utility Department were agreed upon. Two new positions in the Billings

and Collections Division will be funded as well as increased overtime in the Utility Meter Reader Section up to \$5,000 will be paid by the Solid Waste Management Fund.

June 10, 2003 – City Council approved the following:

- Amendments to the City Code relating to solid waste collection, management and disposal.
- Design of the new trash carts.

Attachment #2
Solid Waste Management Changes

Listed below are the projected revenues and expenses related to the implementation of the changes to the solid waste management system:

Impacts on Revenue

♦ Flat Fee of \$5.00/month/household	\$1,110,000 per year
♦ Reduction in Multi-Family tag purchases	\$ (42,568)

Impacts on Expenses

One-Time Expenses

♦ Fund Balance	
♦ New Refuse Trucks	\$ 420,000
♦ Retro-fitting existing refuse trucks	\$ 50,000
♦ Trash carts	\$ 660,000
♦ Billings & Collections Workstations	\$ 17,500
♦ Operating Budget	
♦ Public Information Campaign	\$ 50,000

Reoccurring Expenses

♦ Operating Budget	
♦ Carts for new customers	\$ 5,000
♦ Billings & Collections staffing	\$ 65,910
Utilities – Meter Reader - Overtime	\$ 5,000